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Shipping: Owners face stormy waters

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The Greek-owned merchant shipping fleet is the biggest in the world and faces huge costs necessary for the work needed to comply with European Union regulations.

The EU ban on single hull tankers carrying heavy grades of fuel oil from EU ports came into effect 11 months after the sinking of the Prestige, a 26-year-old Greek-owned tanker, off the coast of Spain. It went down in November last year without loss of life, but its cargo of 77,000 tonnes of fuel oil caused extensive pollution at sea and along a broad stretch of coastline. Like the sinking of the Erika in 1999, which spilled 17,000 tonnes of heavy fuel oil off the French coast, the Prestige disaster accelerated the tightening of EU regulations on tankers.

For the Greek-owned merchant shipping fleet, the world's biggest, the costs of complying with new regulations will be high. In addition to the ban announced in October, the European Commission has barred single hull tankers of 23 years or older from EU ports. The Commission has also brought forward the deadline for phasing out single hulls altogether from 2010 to 2005. The withdrawal schedules have been pulled forward twice in two years.

Greek owners control 770 vessels that can carry crude oil or petroleum products out of a fleet totalling 3,300 ships - representing 9 per cent of commercial vessels worldwide, and 18 per cent of world tonnage. Greek owners last May had another 122 crude oil tankers on order from shipyards around the world.

Almost 500 vessels would have been affected by the tightening of regulations after the Erika sinking. More than 300 will be taken out of service by 2005.

The European Commission is also pressing the International Maritime Organisation (IMO), which regulates world shipping, to adopt the EU deadlines for phasing out single hull tankers. The IMO is due to discuss the issue next month.

"We're talking about withdrawing ships from active commercial service between five and eight years earlier than the commercial lifespan decided by Marpol (the international convention on preventing maritime pollution)," says Nikos Efthymiou, president of the Union of Greek Shipowners.

The EU regulations would require the withdrawal of 74 per cent of single-hulled tonnage in two specific years, 2005 and 2010, according to a report issued by the Greek Shipping Co-operation Committee, a London-based owners' group. If these regulations were adopted by the IMO, almost 750 tankers would be pulled out of service in 2010. The resulting worldwide shortage of ships could drive up oil transport costs

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by a significant margin.

International regulations for dry bulk carriers are also being tightened. But while the role of double hulls in preventing or reducing oil spills in a tanker accident is undisputed, debate is fierce over their usefulness for bulk carriers - which as a rule carry non-polluting cargoes.

The IMO has decided that from 2007 bulk carriers must be built with double hulls, but the phasing out of single hull vessels has not been addressed. The decision followed pressure from UK representatives after the re-opening of the case of the bulk carrier Derbyshire, which sank in 1980 with the loss of 44 lives.

"What many people outside this industry don't realise is that the Derbyshire was a double-hulled bulk carrier and a relatively new ship at the time she sank," Mr Efthymiou says.

The technical specifications for building double-hull bulk carriers have still to be decided. Debate is heated among specialists over steel thickness, the amount of space between the two hulls and whether the space should be used, as in tankers, for ballast.

Greek owners say the lack of technical specifications makes it hard to plan investments. Bankers have warned that financing may be more expensive, because they believe it may be more difficult to maintain double-hulled bulkers.

"We don't mind financing them for the first 10 years. But we'd prefer the extra money was used to pay for thicker steel in single-hulled vessels," says Sjur Agdestein, managing director of Nedship Financial Consultants in Athens.

Bulk carriers are as important to the Greek shipping industry as tankers. According to figures published in May, Greek owners control 1,300 ore and bulk carriers totalling 75m deadweight tonnes (dwt) with another 48 vessels totalling 5.2m dwt on order.

Greek owners are estimated to have spent well over \$10bn in the past five years to carry out an unprecedented fleet renewal, which included tankers and bulk carriers. More than 600 vessels have been ordered, mainly from Japanese and South Korean shipyards. Lending by international banks to Greek owners stood at \$28.5bn at mid-year, according to Petrofin, the Athens-based shipping analysts. However, the conventional wisdom among Greek owners is that good maintenance of vessels, whether single or double-hulled, matters more than the mandatory building of ships to one specific configuration.

"Double-hull technology is good enough if you have the knowledge to operate it well. But the quality of the operator, crew and manager of ships is essential to keeping the sea clean," says Emmanuel Vordonis, executive director of Thenamaris Ships Management.

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